

Exhibit A

**INTERNATIONAL ISLAMIC RELIEF ORGANISATION
PAKISTAN BRANCH**

**VERIFICATION OF RECEIPTS AND PAYMENTS
FOR THE PERIOD FROM**

1 JANUARY 1996 TO 22 FEBRUARY 2001

** FORD RHODES SIDAT HYDER & CO.
Chartered Accountants**

A Member of Ernst & Young International

**INTERNATIONAL ISLAMIC RELIEF ORGANISATION
PAKISTAN BRANCH**

**VERIFICATION OF RECEIPTS AND PAYMENTS
FOR THE PERIOD FROM**

1 JANUARY 1996 TO 22 FEBRUARY 2001

INTERNATIONAL ISLAMIC RELIEF ORGANISATION
PAKISTAN BRANCH

VERIFICATION OF RECEIPTS AND PAYMENTS
FOR THE PERIOD FROM 1 JANUARY 1996 TO 22 FEBRUARY 2001

TABLE OF CONTENTS

	<u>PAGE #</u>
1. BACKGROUND	2
2. ENGAGEMENT OBJECTIVE	2
3. SCOPE OF WORK	3
4. METHODOLOGY	4
5. NON-MAINTENANCE OF PROPER BOOKS OF ACCOUNTS	5
6. NON EXISTANCE OF HEAD OFFICE MONITORING CONTROLS	6
7. RECEIPTS FROM HEAD OFFICE (H.O.)	
7.1 RECEIPTS SENT FROM H.O. NOT CREDITED IN IIRO-PAKISTAN BANKS	7
7.2 EXPENSES NOT REPORTED AGAINST FUNDS RECEIVED FROM H.O.	9
8. FUNDS FOR ORPHANAGES	11
9. CONSTRUCTION	13
10. FUNDS FOR AFGHANISTAN	14
11. FUNDS FOR HEALTH PROJECTS	15
12. DIFFERENCES IN US DOLLARS TO PAK RUPEE CONVERSION RATES	16
13. GULF MEDICAL CENTRE (GMC)	17
14. GENERAL PROJECT COMMENTS	20
15. ANNEXURE I	

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

1. BACKGROUND

International Islamic Relief Organisation (IIRO) was established in 1978 as a humanitarian non-governmental Organisation with the objectives of serving victims of natural disasters and wars, orphans, refugees and the destitute, all over the world. The Head Office (H.O.) of IIRO is based in Jeddah, Saudi Arabia. IIRO is conducting relief programs in various sectors such as medical, educational and social services. These programs and activities are financed by voluntary contributions given for specified as well as for unspecified projects. Parts of its resources are derived from Zakat paid by individuals and companies and from wills made in its favour.

IIRO has established its Branch Office in Pakistan (the Branch) to carry out the above objectives in Pakistan. Branch is running projects like help of orphans, poor and needy people, scholarship programs, kafalat, construction of masajid and digging of wells, welfare hospitals, iftar-o-saim, halakat-ul-Quran, etc. The Branch also runs Gulf Medical Center (GMC), which is a revenue generating project providing specified health services to people.

2. ENGAGEMENT OBJECTIVE

We were required to carry out the assignment, in accordance with the scope of work defined below, for the purpose of determining the maintenance of proper books of account and financial records and ascertaining weaknesses and non-compliance, if any, which may have resulted in financial mismanagement and/or misappropriation of funds at the Pakistan Branch. Thus, the core objective of the assignment was to determine the loss of funds due to misuse or embezzlement, if any, and submit report on our findings.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

3. SCOPE OF WORK

3.1 The procedures required to be performed by us for the engagement, which comprises the scope of our work, included the following work relating to the period from 1 January 1996 to 31 January 2001:

I Check that receipts from Saudi Arabia are properly recorded both in US Dollars and Pak. Rupees and assessing reasonableness of conversion rate used during the period.

II Verify all payments and ensure that all underlying documents are attached to it. Also ensure that attached underlying documents are authentic.

III Receipts from GMC relating to rendering of medical service were properly recorded and banked.

IV Submit report on findings.

3.2 Later on through a letter dated 16 July 2001, our scope was restricted to verification of under mentioned areas for the last three years only:

- Disbursements from Head Office to Pakistan Office
- Orphans expenditure
- Construction projects
- Medical centers
- Some cases of exchange rates
- Selling cars

3.3 In addition to the above we were required to check and report on the remittances received from H.O., Jeddah, during the periods from 11 March 1995 to 31 December 1995 and from 23 February 2001 to 28 March 2001. This was required to be done in order to check and reconcile the total amounts remitted by H.O., Jeddah, during the tenure of ex-Director General of IIRO Pakistan with the total receipts in IIRO's bank accounts in Pakistan.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

4. METHODOLOGY

Work performed to achieve each audit objective is as follows:

To achieve objective # 1

a) Obtained year wise funds transmitted report from H.O. and performed following:

- Traced all the amounts appearing in the report from "Out Ward Payment Order" of Al-Rajhi bank through which funds are transmitted to Pakistan.
- Checked the rate used to convert Saudi Riyals to US Dollars.
- Checked supporting/ authorizing letter from H.O. management to the bank for transfer funds to Pakistan.
- Checked the purpose for transfer of funds and the project for which funds are transferred.

b) Obtained bank statements of US dollar account of IIRO Pakistan office and traced the funds transmitted from H.O. in the bank statement (see Annexure I). Investigated reasons for differences and missing credits in the bank statements.

To achieve objective # 2

Verified all the expense vouchers provided to us, restricted to the amended scope of our work. We also investigated supporting documents which seemed fake and checked the rate used for conversion of US dollars to Pak. Rupees. Due to limitation on our scope and non-availability of all the payment vouchers we could not complete work on this area enabling us to substantiate our findings and draw conclusions.

To achieve objective # 3

The only source of revenue of GMC is the amount charged for tests and procedures, which are required to be performed before issue of the health certification. The amount is paid in cash for which receipt is issued to the payer. Daily cash collection is summarised as in Finance Report, which is further summarised on monthly basis. We have verified all the daily summaries from the duplicate receipts issued and then compared the monthly finance report with daily finance report in order to find differences between these two statements.

International Islamic Relief Organisation - Pakistan Branch
 Verification of Receipts and Payments
 For the period from 1 January 1996 to 22 February 2001

5. NON MAINTENANCE OF PROPER BOOKS OF ACCOUNT

FINDINGS

On commencing our assignment our first task was to take inventory of the books of account and underlying accounting record kept and maintained locally and to ascertain its level of completeness and reasonableness. After detailed search and review of the accounting department record we were only able to find the following:

- Register of Cash in safe for 1418 (1998) and only five transactions of 1419 (1999).
- Register/ledger recording bank transactions for 1418 (1998) only.
- Two separate registers/ledgers recording transactions of Emirates Bank Islamabad, for Pak Rupee and US Dollar accounts, for 1421 (2000) for last two months only.
- Register/ledger of Habib Bank limited (HBL) Pak Rupee account for 1421 (2000) only for last two months.
- One register containing department wise payment of 1420 and 1421 (1999-2000).
- Expenditure journal containing few transactions for one month of 1420.
- Few duplicate copies of payment, receipt and expense vouchers.

As is very evident the above mentioned accounting record is not only inadequate and improper it was found incomplete and inaccurate. The management, we understand, had hired an accountant who was responsible for doing all the finance related work primarily ensuring the maintenance of all the required books of accounts and related record, maintaining custody of cash in hand and at bank and to work as a bridge between project coordinators and higher management. We also found that project coordinators also had not kept any record of the funds they received and expenses made against those funds.

CONCLUSION

The concerned accountant and any other staff responsible failed to discharge the basic function of preparing and maintaining proper books of account and underlying accounting record which is an essential requirement of any organization. Thus, they failed to perform their functions due to which it was not possible to perform any conclusive verification and checking of receipts and payments transactions. This not only facilitated financial mismanagement it created opportunities for misuse misappropriations of funds and fraud. We are, however, unable to determine whether the non-maintenance of books of account was done deliberately or was only due to inability or carelessness, for which the management is also equally responsible.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

6. NON EXISTANCE OF HEAD OFFICE MONITORING CONTROLS

FINDINGS

We found that the internal controls relating to proper monitoring of funding to Pakistan were not in place at H.O. The H.O. management had neither established any system or mechanism for financial discipline nor required proper reporting from Pakistan office relating to disbursements or activities carried out at Pakistan branch. Moreover, no internal or external audit was ever carried out for Pakistan branch and H.O. management never asked local management to provide them audit report on some fixed interval/periodic basis. We were also not able to check the H.O. record relating to Pakistan operations due to non availability of information duly translated in English and because of incomplete and unreconciled details.

CONCLUSION

Due to non-existence of proper internal controls and required monetary mechanism no financial discipline was in place for recording and reporting the funds receipts and expenditure. Thus, in the absence of proper accounting record in the Pakistan office and due to non availability of complete and accurate information in the H.O. relating to Pakistan operations it was not possible to correlate the available information for determining the quantum of loss of funds. These control weaknesses on the part of H.O. management, in our view, paved the way towards providing opportunities for financial mismanagement and misappropriation of funds.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

7. RECEIPTS FROM H.O.

7.1 RECEIPTS SENT FROM H.O. NOT CREDITED IN IIRO-PAKISTAN BANKS

BACKGROUND INFORMATION

Materially all the funding for running the affairs of IIRO Pakistan are in the form of donations received from H.O.. through remittances, which are project-specific, sent directly to IIRO's US Dollar accounts through telex transfers or through crossed cheques. These are, thereafter, withdrawn and converted into Pak Rupees on a need basis and utilised after being deposited into any of IIRO's Pak Rupee accounts being maintained and operated for various projects, as per our understanding of IIRO's procedures.

FINDINGS

Year wise listings of disbursements from H.O. to IIRO-Pakistan prepared from the H.O. record [Annexure I], were checked with "Outward Payment Orders" of Al-Rajhi Bank. We then traced the funds transmitted from H.O. in bank statements of IIRO Pakistan to ascertain whether these have been credited in IIRO Pakistan accounts or not. As we were not provided with the bank statements for the period from 11 March 1995 to 31 December 1995 therefore the later exercise was not performed for the same period. We found that certain remittances sent from H.O. to IIRO-Pakistan were not credited in the bank accounts maintained by IIRO-Pakistan. Summary of our findings is given below:

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

[ALL AMOUNTS IN US DOLLARS]

Year / Period	Funds transmitted in favour of	AMOUNTS remitted by H.O.	AMOUNTS credited in bank statements of IIRO-Pakistan	Difference
1415-1416	IIRO – Pakistan	3,278,434	*	N/A
1416	IIRO – Pakistan	2,254,359	2,223,306	31,053
1417	IIRO – Pakistan	955,587	955,587	NIL
1418	IIRO – Pakistan	2,061,339	2,061,339	NIL
1419	IIRO – Pakistan	2,362,005	2,362,005	NIL
1419-1420	IIRO – Pakistan	2,319,129	2,250,721	68,408
1420-1421	IIRO – Pakistan	576,815	526,179	50,636
1420-1421	Muslim World League	1,312,763	1,299,430	13,333
1421-1422	IIRO – Pakistan	489,236	489,236	NIL
1421-1422	Muslim World League	658,427	658,427	NIL
Total		16,268,094	12,826,230	163,430

* Bank statement not available

We investigated the above differences but were unable to trace them in bank statements. We also found that the record provided by H.O. management relating to Pakistan office remittances contained many mistakes and discrepancies which were later rectified during our checking. Moreover, no reconciliation of funds disbursed from H.O. and those received locally was ever prepared in Jeddah in order to find out whether all the funds being sent/remitted were accounted for in Pakistan and to trace any amounts that were not received.

CONCLUSION

The differences in remittances from H.O. and receipt in Pakistan office amounting to US Dollars 163,430 remain unaccounted for. In the absence of information and documentation available in H.O. regarding the confirmation of these amounts being remitted to Pakistan it is not possible to establish whether these funds were actually transferred to Pakistan bank accounts. The H.O. record from which the remittance details were prepared is also not fully reliable and verifiable. Thus, in the absence of documentary evidence the misappropriation or misuse of the unaccounted receipts cannot be conclusively established.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

7.2 EXPENSES NOT REPORTED AGAINST FUNDS RECEIVED FROM H.O.

FINDINGS

As a second step to our verification procedures we tried to determine the utilization of funding from the expenses reported against disbursements from H.O. to IIRO-Pakistan from the H.O. record which are generally project specific. We were not provided expense vouchers against all these disbursements during our verification at Jeddah and were informed that H.O. has only received the available expense vouchers. Year wise summary of difference between amount disbursed and expense reported to H.O. is as shown below:

[ALL AMOUNTS IN US DOLLARS]

Year / Period	In favour of	Amounts remitted by H.O.	Expenses reported by Pak. Office	Balance unreported
1419	IIRO - Pakistan	2,362,005	1,345,245	1,016,760
1419-1420	IIRO - Pakistan	2,319,129	1,118,668	1,200,461
1420-1421	IIRO - Pakistan	576,815	360,239	216,576
1420-1421	Muslim World League	1,312,763	841,903	470,860
1421-1422	IIRO - Pakistan	489,236	180,756	308,480
1421-1422	Muslim World League	658,427	120,599	537,828
Total		7,718,375	3,967,410	3,750,965

We have checked from IIRO-Pakistan bank record and have found US \$679,306/- in various banks as closing balance, while US \$ 3,071,659 is the net unreported utilisation to H.O., as per their record. We have investigated from local management and respective project coordinators in Pakistan and have found that neither any unutilized funds are available nor do they have any expense vouchers pending with them for which any reporting to H.O., is outstanding.

CONCLUSION

The net unreported amount of US \$ 3,071,659 is unaccounted for and represents the expenditure which was either not recorded and for which no vouchers and supporting documentation is available and/or the amounts which have been misused or misappropriated locally. However, in the absence of proper record at Pakistan office and information requested from banks we are not in a position to investigate this matter, as per laid down methodology, further in order to conclude our findings. We consider it appropriate to state that there is a complete mess at the organizational level as none of the persons either at H.O. or in Pakistan is aware about the outstanding expenses details due to lack of proper communication and absence of internal controls. The situation is made worse by the fact that none of the Project Coordinators is maintaining any record of receipts and expenses relating to their project and any reporting to local finance department. Thus, in the absence of further information from project coordinators, local management and H.O. management we are not in a position

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

to conclude about the unreported balance of funds or about it's spending/utilization, or misappropriation.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

8. FUNDS FOR ORPHANAGES

BACKGROUND INFORMATION

IIRO is running orphanages both in Pakistan and Afghanistan. During the period since 1 January 1996 to date, funding was provided by H.O. for running and administration of these orphanages. Funding was also provided for the purchases of necessities such as clothing's, blankets, school bags, books & stationary, general daily consumption items, etc., for orphans residing in the said orphanages.

FINDINGS

Based on our revised scope of work which limits our verification to the extent of Orphanages purchases only and to the extent the record has been made available, during our verification/checking of supplier's invoices and underlying documents, we found certain purchases made from the following suppliers:

Name and address of supplier	Amount Rs.	Particulars of purchases
Cotton & Hides Basement, Service Shoes No. 5 Block 12/C, Jinnah Super Market Markaz F-7, Islamabad	7,877,329	Uniform, clothing's, school bags, bedsheets, blankets, Towels, Sweaters, Shoes, chapels, Vests, duppatas, e.t.c.
Global Trading Company 68, Street 62, Sector G-6/4, Islamabad	4,992,540	General consumption items, stationery, furniture and fitting, photocopier, Personal computer P-3, Printer, TV, VCR, e.t.c.

M/s Cotton & Hides owner Mr. Shahid Jamil, who was contacted for obtaining confirmation of purchases, denies supplying any material to IIRO. As per his representation, in July/August last year he was asked by Mr. Amir Jasim (Director Finance of IIRO-Pakistan) to provide a quote and a bill for supply of goods/items for orphanages. He was told that the quotation and the bill would be sent to H.O. for approval, and once funds are released for the same, the order will be placed. Therefore, he prepared the quote and the bill and submitted them to Mr. Amir Jasim. He had also informed about this to ex-DG when he was called and questioned about the supply of quoted material. Similarly, he also gave quotes and bills regarding the purchase of blankets for orphanages. He confirmed that he neither supplied any goods to IIRO or anyone else representing IIRO nor received any money for the above-mentioned purchases.

We couldn't manage to contact M/s Global Trading Company, as the address given on the invoice does not seem to exist.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

Furthermore, Mr. Shoaib Sultan and Molvi Abdullah, who were shown as recipients of the purchases/ supplies as per the signed acknowledgements provided and are responsible for supply/delivery of these purchases to respective orphanages also deny any such receipts. As per their declarations they have not received any items/goods for orphanages, and claim that the signatures on goods receipt acknowledgements are fake/forged.

CONCLUSION

The above-mentioned supplier's representation and IIRO's staff declarations imply fake purchases of approximately Rs.12.86 million. This, however, could not be further investigated and substantiated as no interrogation has been undertaken with the persons responsible. Moreover, during course of our verification in Jeddah it has been observed that supporting documents/vouchers for the above-mentioned purchases sent by Pakistan office were accepted by the H.O. clearly evidencing that no proper checking was conducted and verification controls were observed which eventually resulted into possible misappropriation/misutilization of funds.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

9. CONSTRUCTION

BACKGROUND INFORMATION

Funds are sent for the construction of mosques, orphanages and digging of wells both in Afghanistan and Pakistan. These funds are sent via banking channel to IIRO Pakistan. IIRO H.O. receives these funds in the form of specific donations from the persons, which are interested in construction of these religious and public service structures. Type of construction, its location and name are donor specified.

FINDINGS

During verification of construction projects' invoices/supporting documents; it has been observed that supporting documents, i.e., bills, acknowledgement receipt on the company letterhead, etc., are self-made, as no such construction company/companies seem to exist.

CONCLUSION

Although there are evidences of construction activity being carried out proper utilisation of these funds cannot be ascertained as we did not find genuine expenditure supportings or record related to the expenditure incurred on projects. As construction projects sites are not physically visited/verified, significant portion of which are in Afghanistan, we cannot comment if all the construction projects for which funds were sent by H.O. were implemented and completed.

It is obvious that false supportings were prepared/produced as evidence of expenditure apparently with fraudulent intentions. Moreover, no accounting record had been maintained whether intentionally or unintentionally, from which the actual position/status of the funds utilised could be authenticated, the responsibility of which falls squarely on the management.

2.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

10. FUNDS FOR AFGHANISTAN

FINDINGS

Total amount sent for meeting Afghanistan health projects expenditure, as per information provided by H.O., was Rs. 11,931,592 (USD 217,258 converted @ 54.919). Against these funds we received from H.O. copies of supporting invoices/ bills for expenses of Rs. 1,037,865 relating to Afghanistan health projects.

We found that the invoices/bills of expenses supporting the expenditure of Rs. 1,037,865 did not relate to Afghanistan health projects/operations. These supporting invoices/bills, in fact, were related to medicines purchased for Uhud Hospital, Quetta, a sub-project of IIRO Health Project in Pakistan. Moreover, project in-charge of Uhud hospital Dr. Shaukat informed that the invoices/bills, which are produced as supporting, were paid out of hospital income and denies receipt of any funding from IIRO in this regard.

CONCLUSION

The supporting provided against the funding for Health Project of Afghanistan are not project related. It, therefore, seems that actual expenditure was not incurred and the invoices/bills of Uhud Hospital were used to form false supportings in order to claim expenditure against the amounts sent by H.O. with fraudulent motives. This also reflects weakness on the part of H.O. as the invoices/bills were accepted as supporting for Afghanistan health project inspite of the fact that it is clearly mentioned on the invoices/bills that they are for Uhud Hospital.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

11. FUNDS FOR HEALTH PROJECTS

BACKGROUND INFORMATION

During the period since 1 January 1996, IIRO-H.O. has sent funds for health related projects such as hospitals, clinics, infectious disease centers, e.t.c., which are operating in various parts of Pakistan and Afghanistan.

FINDINGS

We found that IIRO-hospitals for which major funding has been sent during the period are also revenue generating projects. Revenue from these projects is not reported to H.O. Moreover, we were not provided with the complete record of health projects except Uhud hospital in which the situation is that hospital earned revenue amounting to Rs.17.8 million and received funds from H.O. amounting to Rs.2.6 million while expenditure incurred during the same period were Rs.21.4 million resulting in a net deficit of Rs.1 million for which no record was made available regarding the source from where the excess expenditure was financed.

CONCLUSION

In absence of projects, revenue information and reports, operational/running deficit of the health projects i.e., hospitals in particular cannot be calculated or determined. Hence, proper utilisation of funds cannot be established. In the absence of complete project revenue information and figures, it is not possible to verify the correct utilisation of health projects funding. It clearly shows negligence of H.O., as only expenditure reports/supporting are treated sufficient for the verification of health project funds utilisation.

In particular the position relating to Uhud hospital needs investigation in order to ascertain whether the revenue figure is under-recorded or the expenditure figure is inflated. In the absence of proper record we are not in a position to conclude our findings in this regard.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

12. DIFFERENCES IN US DOLLARS TO PAK RUPEE CONVERSION RATES

BACKGROUND INFORMATION

IIRO - H.O. sends funds in US Dollar currency bank accounts of Pakistan office. These funds are subsequently withdrawn from these banks and converted into Pak rupees from open market at prevailing day rate, after which these funds are either utilised or deposited in rupee bank accounts of IIRO-Pakistan. As per IIRO - H.O. instructions, when these funds are converted a conversion document is prepared which gives details such as date of conversion, name of money changers and their respected quoted rates, etc.

FINDINGS

There are instances in which it has been observed that the open market rates used for the conversion of funds are different from the actual prevailing day rates.

CONCLUSION

It implies that the differential amount, i.e., difference between the actual rate used and the rate reported, has been misappropriated.

International Islamic Relief Organisation - Pakistan Branch
 Verification of Receipts and Payments
 For the period from 1 January 1996 to 22 February 2001

13. GULF MEDICAL CENTER

13.1 GMC started its operations in July 1999. Main objective of GMC is to generate revenue locally in order to make IIRO self-sustainable in carrying out its welfare projects with minimum reliance on Head Office (H.O.) donations/funding. The only activity/operation of GMC is to provide diagnostic services perform procedures and related vaccination to persons applying for work visa in Gulf States who require health certification.

13.2 Before submitting our initial findings we would like to briefly describe the areas we checked as part of our methodology and approach.

REVENUE

The only source of revenue of GMC is the amount charged for tests and procedures, which are required to be performed before issue of the health certification. The amount is paid in cash for which receipt is issued to the payer. Daily cash collection is summarised in Finance Report, which is further summarised on monthly basis. For our verification and checking we have compared the monthly finance report with daily finance report in order to find differences between these two statements.

EXPENDITURE

Following are the significant expenditures being incurred at GMC:

PAYROLL

Source documents available for verification were payroll sheets, acknowledgement letter from radiologist, etc. Included in payroll were charges of security guards for which invoices/bills were seen.

REFUND/COMMISSION TO AGENTS

From commencement of the medical center up to June 2000 commissions were being paid to agents who refer/bring business to GMC. On payment of commission, which varied from agent to agent, the acknowledgement was obtained from the agent on payment slip of his referred person/patient. From July 2000 payment to agents were stopped, which restarted from 17 November 2000 at a fixed rate of Rs.200 per person. We have verified/checked acknowledgements of agents for commission paid during the period and compared the same with the number of patients entertained/treated during the period in order to ascertain reasonableness of such payments.

20

International Islamic Relief Organisation - Pakistan Branch
 Verification of Receipts and Payments
 For the period from 1 January 1996 to 22 February 2001

MEDICINES

Medicines are one of the major expenditure of the GMC, having a proportion of about 41% of the total expenditure. Being a risky area from overall expenditure perspective, following procedures are applied for the verification of medicine expenditure:

- A detailed supplier wise list is prepared from the available record about the payments made to various suppliers during the period and verified it from the actual invoices/bills.
- All the major suppliers were requested to send us detail of their transactions with GMC and confirm the amount received during the period.
- Compared the supplier-wise details prepared from GMC record with supplier provided/confirmed detail and reconciled the differences. Objective behind this exercise was to get independent third party confirmations about amounts paid to them by GMC and in order to identify the discrepancies, errors and any fake transactions.
- Predictive tests are applied to calculate and authenticate the total medicine expenditure during the period. The total number of tests performed is identified and per test cost calculated, which is then accumulated for determining per applicant/patient cost. The total number of applicants/patients treated during the period is multiplied with the cost calculated per applicant/patient. We observed only minor variance from the actual medicine expenditure verified.

FINDINGS

Based on our above-mentioned work performed, procedures applied and information/records made available, following are our findings:

- Proper books of account were not maintained in GMC.
- Proper internal controls, policies and procedures were not in place/exercised at GMC, which renders the accounting record susceptible to errors and risk of fraud.
- The surplus of GMC, based on the record and information provided, is calculated to be approximately Rs.10.4 million. We were informed that surplus was paid in cash by the GMC accountant to IIRO's Director Finance periodically for which receipts were prepared. These amounts were supposed to be deposited in the bank. However, as per our findings no amounts were deposited in IIRO's bank accounts till January 2001. In A/c #1155-479189-00 Emirates Bank, Islamabad Branch, total of Rs. 762,965 only has been deposited from 24 January 2001 to 1 February 2001, relating to GMC surplus. The balance of approximately Rs. 9.6 million is not traceable in IIRO's accounts. According to information conveyed to us, such amounts received from GMC were also deposited in ex-DG's personal account maintained at Habib bank, Sadiqabad Branch, Rawalpindi, for which no documents or details were provided to us.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

- Apart from GMC we learned that the ex-DG was also running two other medical centers, viz., VIP medical center in Islamabad and Al-Hijaz medical center in Karachi. VIP center, we are informed, was personal project of ex-DG handled by IIRO's Director Finance and himself. VIP medical center benefited from GMC operations as we noted that expenses like staff salaries of VIP, GAMCA contribution, VIP's equipment transportation cost, etc., were all paid through GMC.
- No information is available about Al-Hijaz medical center except that a payment of Rs.13,000 was made to Al-Hijaz from GMC.

CONCLUSION

In the absence of proper record and bank statement of ex-DG's personal account operated in Habib bank, Sadiqabad Branch, we are not in a position to conclude regarding missing amount of Rs. 9.6 million. Similarly, there may have been other payments on behalf of ex-DG's personal projects, which we cannot identify due to non-availability of proper records. No receipts or expenditure reimbursements from VIP medical center were found to have been received in IIRO's accounts.

Subject to above and in the absence of any evidence to the contrary the net receipt balance of Rs. 9.6 million, being untraceable, is considered to have been misused or misappropriated by the persons receiving it who were responsible to account for it.

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

14. GENERAL PROJECT COMMENTS

BACKGROUND INFORMATION

IIRO is running various projects both in Pakistan and Afghanistan. Project coordinators are responsible for the supervision of the projects, whereas, sub-projects of a project are run/administered by project in-charge.

We had meetings with projects-coordinators about their respective projects in order to obtain and develop understanding of the system, methodology and functioning of the project operations, which was in practice during the period. Moreover, we have checked the projects record/information available locally to the extent, possible.

FINDINGS

Based on our work, meetings and discussions with project coordinators and project in-charge, our findings are as follows:

- No standard policies, procedures and controls for projects implementation and operations are in place or being followed/practiced.
- Projects original records, we are informed, were submitted to IIRO Islamabad office by project coordinators and project in-charge and no backup or duplicate record was kept/available at projects. We were not able to locate or check any such record in IIRO's offices.
- Project coordinators in Pakistan and Afghanistan were never provided with the following essential and relevant information:
 - Amount of funds received from H.O. for the respective projects.
 - Dates on which project funds were received.
 - Prevailing open market exchange rates used for conversion of project funds. Moreover, no documentation related to the conversion of funds was available at projects or IIRO's Islamabad office.
- Project coordinator and project in-charge queries related to the project's funding, operations, suggestions and efforts regarding maintenance of proper books of account and records, keeping the backup of project submitted records, etc., were always discouraged.

CONCLUSION

Based on above findings it can be safely concluded that the operations were grossly mismanaged by the concerned persons, including project staff. This has not only resulted in significant losses to the organization it also provided opportunities and created circumstances for misuse and misappropriation of funds. Not providing

International Islamic Relief Organisation - Pakistan Branch
Verification of Receipts and Payments
For the period from 1 January 1996 to 22 February 2001

information and guidance to project staff and discouraging record keeping are evidence of fraudulent intentions on the part of the Pakistan office management.